

BELLAIRE PUBLIC LIBRARY
ANTRIM COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: BELLAIRE PUBLIC LIBRARY	County ANTRIM
Audit Date DECEMBER 31, 2005	Opinion Date MARCH 30, 2006	Date Accountant Report Submitted To State: APRIL 17, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): KESKINE, COOK, MILLER & ALEXANDER, LLP			
Street Address 100 WEST FIRST STREET	City GAYLORD	State MI	ZIP 49735
Accountant Signature 			

Bellaire Public Library

Library Board of Trustees

Sherry Comben – President

Carol Whitson – Treasurer

Melynda Bagley – Vice-President

Martha Harris – Trustee

Marjorie Fleet – Secretary

Jim Wilson - Trustee

Library Staff

Linda Offenbecker – Director

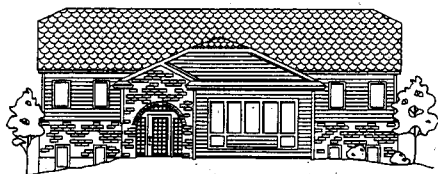
Lori Smalley – Assistant Librarian

Mary Henderson – Assistant Librarian

Bellaire Public Library

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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
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Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

INDEPENDENT AUDITOR'S REPORT

March 30, 2006

To the Members of the Board
Bellaire Public Library
Antrim County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Bellaire Public Library, a joint venture, as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Bellaire Public Library as of December 31, 2005, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on page 14 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskin Cook Miller & Alexander LLP
KESKINE, COOK, MILLER & ALEXANDER, LLP

Bellaire Public Library

P.O. Box 477
Bellaire, Michigan 49615
(616) 533-8814

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005

This section of the annual financial report of the Bellaire Public Library presents our discussion and analysis of the entity's financial performance during the fiscal year ended December 31, 2005. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

Our financial status improved over the last year. The change in net assets, as calculated on the full accrual basis of accounting was \$14,461. The excess of revenues over expenditures as calculated on the modified accrual basis of accounting was \$13,152.

Total assets increased to \$541,827, of which \$227,558 is invested in capital assets.

Overall revenues were \$131,208, of which \$95,791 are property taxes collected from the residents of Forest Home and Kearney Townships. Overall expenses (including depreciation) totaled \$116,747.

The primary revenue source of the Library is property tax revenues, collected from Kearney & Forest Home Townships at .3525 mills, consistent with the prior year levy.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Service.

The government-wide financial statement provides both long and short-term information about our overall financial status. The fund financial statements provide financial information using the current measurement focus. The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENTAL-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Library as a whole using accounting methods used by private companies. That statement of net assets includes all of the Library's assets and liabilities, both short-term and long-term in nature. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Library's assets and liabilities. This is one method to measure financial health or position.

Over time, increases or decreases in the Library's net assets are an indicator of whether financial position is improving or deteriorating. To assess overall health of the Library, you may also have to consider additional facts such as the shrinking property tax levy due the Headlee rollback and the timing of receiving contributions.

The Library is involved in one only activity - library services - which are primarily supported by property tax contributions and therefore are reported as a governmental activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Library's operating fund. Funds are used to account for specific activities or funding sources. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The authority has the following fund:

Library Operating Fund—This fund records all of the financial activity of the Library.

Financial Analysis of the Library as a Whole

The Library's total net assets increased by approximately 3% during the year ended December 31, 2005 totaling \$541,827. The increase is primarily due to the increase in revenues over expenditures in 2005.

The Library's total revenue decreased by approximately \$93,000 from 2004. The reason for the decline is that a large unexpected bequest was received in 2004. Without considering the bequest in 2004, total revenues increased by approximately \$11,000. The increase is primarily comprised of increases in property tax revenue due to an increase in the taxable value of properties within Forest Home and Kearney Townships and an increase in contributions.

The Library's total expenditures increased by approximately \$9,000 from 2004. The increase is comprised primarily of increases in employee wages and an increase in the purchase of books and other materials.

Financial Analysis of the Library's Funds

The day to day activities of the operations fund have remained consistent from 2004 and is comprised largely of personnel costs, book purchases, utilities and building maintenance. The cost of these activities increased approximately 8% from the prior year. The revenues collected to fund the activities increased slightly due to an increase in taxable values within Forest Home and Kearney Townships. This resulted in an excess of revenues over expenditures of \$13,152 in the fund financial statements.

Financial Analysis of the Library's Funds (Continued)

The Board designated fund balance, which is earmarked for future building enhancements, increased by approximately \$2,000 due to the interest earned on the investment.

As of December 31, 2005, the undesignated and unreserved fund balance is \$161,124 which is an increase of approximately \$16,000 from the prior year.

Capital Asset and Long-term Debt Activity

Capital Assets – The Library purchased library books and shelving units during the year. Total capital asset additions were approximately \$31,000.

Long-term Debt – The Library has incurred no long-term debt at this time.

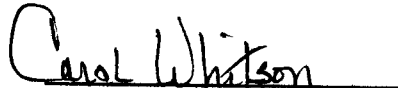
Known Factors affecting Future Operations

There are currently no known factors that are anticipated to have a significant impact on future operations.

Contacting Entity Management

This financial report is designed to provide taxpayers and customers with a general overview of the entity's finances and to demonstrate the entity's accountability for the revenues it receives. If you have questions concerning this report please contact either Ms. Linda Offenbecker or Ms. Carol Whitson at 111 South Bridge Street, Bellaire, MI 49615.


Linda Offenbecker – Director


Carol Whitson – Treasurer

BELLAIRE PUBLIC LIBRARY
GOVERNMENTAL FUND BALANCE SHEET - STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	<u>Balance Sheet - Modified Accrual</u>	<u>Adjustments</u>	<u>Statement of Net Assets - Full Accrual</u>
Assets:			
Cash and cash equivalents	\$ 64,546	\$ -	\$ 64,546
Investments	249,724	-	249,724
Depreciable capital assets, net	-	202,558	202,558
Nondepreciable capital assets, net	-	25,000	25,000
	<hr/>	<hr/>	<hr/>
Total assets	\$ 314,270	227,558	541,828
	<hr/> <hr/>		
Liabilities:			
Accrued liabilities	\$ 1,847	-	1,847
			<hr/>
Fund Balance:			
Undesignated	161,124	(161,124)	
Reserved	349	(349)	
Designated	150,950	(150,950)	
	<hr/>	<hr/>	
Total fund balance	312,423	(312,423)	
	<hr/>	<hr/>	
Total liabilities and fund balance	\$ 314,270		
	<hr/> <hr/>		
Net Assets:			
Investment in capital assets		227,558	227,558
Unrestricted		312,423	312,423
		<hr/>	<hr/>
		\$ 539,981	\$ 539,981
		<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

BELLAIRE PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Revenues and Expenditure - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
Revenues:			
Property taxes	\$ 95,791	\$ -	\$ 95,791
Penal fines	10,895	-	10,895
Gifts and donations	13,430	-	13,430
State aid	3,365	-	3,365
Book fines	1,213	-	1,213
Interest	6,514	-	6,514
Total revenue	131,208	-	131,208
Expenditures:			
Salaries and wages	45,102	-	45,102
Payroll taxes	3,717	-	3,717
Supplies and postage	2,518	-	2,518
Dues and subscriptions	1,682	-	1,682
Periodicals	2,377	-	2,377
Capital outlay	31,364	(31,364)	-
Programs	635	-	635
Automation	2,275	-	2,275
Insurance	2,934	-	2,934
Utilities	5,457	-	5,457
Building maintenance	7,624	-	7,624
Miscellaneous expense	780	-	780
Professional services	9,020	-	9,020
Donations	2,571	-	2,571
Depreciation expense	-	30,054	30,054
Total expenditures	118,056	(1,310)	116,746
Excess of revenue over expenditures	13,152	1,310	14,462
Fund Balance / Net Assets:			
Beginning of year	299,271	226,248	525,519
End of year	\$ 312,423	\$ 227,558	\$ 539,981

See accompanying notes to financial statements.

**BELLAIRE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1: ENTITY

The Bellaire Public Library is a joint venture District Library located in Antrim County, Michigan. The Library's mission is to serve people of all ages by actively providing easily accessible information, materials, services, and programs designed to meet the community's evolving educational, recreational, cultural and informational needs. It receives a majority of its financial support from property taxes levied in Forest Home and Kearney Townships, penal fines, and local donations. The Library operates under a Board of Trustees, comprised of six members appointed by the Townships.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Library are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Library's financial activities.

The accounting policies of the Library conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Library as a whole.

Fund Financial Statements

Fund financial statements are provided for the Library's governmental fund. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this Note.

FUND TYPES AND MAJOR FUNDS

Library Operations Fund – This is the only fund of the Library. It is a governmental fund used to account for all financial resources related to library operations.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Library are prepared in accordance with generally accepted accounting principles (GAAP). The Library applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable

**BELLAIRE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Library does not apply FASB pronouncements of APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Library considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

PROPERTY TAXES

In August, 1994, the Townships of Forest Home and Kearney passed a millage allowing the Library to levy a tax annually on the taxable property in the District (comprised of Forest Home and Kearney Township) in the amount of forty cents per one thousand dollars (.4 mills) for the purpose of supporting the Library. The current (2004 tax year) operating levy is .3525 mills.

Taxes are levied on December 1 and become a lien on the property at that time. The townships collect property tax from December 1 to March 1 and remit the taxes to the Library on a periodic basis. The property taxes are considered delinquent March 1.

Although the Library's tax is levied and collectible on December 1, it is the Library's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and is available for the financing of Library operations.

Management has determined that the value of uncollected personal property taxes is immaterial to the financial statements each year; accordingly, no provision for uncollectible accounts has been provided.

**BELLAIRE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

BUDGETS

An operating budget is prepared by the Library annually and presented to the member townships. The budget is adopted prior to January 1, on the modified accrual basis and is amended at regular intervals throughout the year.

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended December 31, 2005, the Library experienced no over-expenditures.

CASH EQUIVALENTS

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents for the Bellaire Public Library consist of certificates of deposit with an original maturity of 90 days or less.

CAPITAL ASSETS AND DEPRECIATION

The Library's property, plant, equipment, furniture, and books with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Library has no infrastructure assets. Donated assets are stated at fair value on the date donated. The Library generally capitalizes assets with historical cost of \$500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	50-75
Computer Equipment	5 - 7
Furniture	7 -10
Books	3 - 7
Shelving	25-30

**BELLAIRE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's General Fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the economic focus of the statement of the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance. The following reconciliation of fund balance to net assets and the change in fund balance to the net change in net assets are as shown:

Total Fund Balance - Modified Accrual Basis	\$ 312,423
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Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	227,557
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Total Net Assets - Full Accrual Basis	<u>\$ 539,980</u>
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Net Change in Fund Balance - Modified Accrual Basis	\$ 13,152
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities these costs are allocated over their useful lives as depreciation. This is the amount by which capital outlays exceed depreciation in the current period	1,309
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Change in Net Assets - Full Accrual Basis	<u>\$ 14,461</u>
---	------------------

NOTE 4: CASH AND INVESTMENTS

CASH

Cash is maintained in a financial institution in the Bellaire, Michigan area. The cash consists of an interest bearing checking account and a certificate of deposit with an original maturity of less than 90 days. The carrying amount in the checking account and certificate of deposit at December 31, 2005 was \$64,546 and the bank balance was \$66,209, which is entirely insured by FDIC insurance.

**BELLAIRE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 4: CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's investments are as follows:

- (1) Insured or securities held by the Library or the Library's agent in the Library's name.
- (2) Uninsured with securities held by the counter party's trust department or its agent in the Library's name.
- (3) Uninsured with securities held by the counter party's trust department or agent but not in the Library's name.

Investments consist of certificates of deposit with an original maturity in excess of 90 days. Interest income is recorded as earned. As a result, the book value approximates the market value. Balances at December 31, 2005, consist of the following:

	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Value</u>
Certificates of Deposit	<u>\$ 100,000</u>	<u>\$ 149,724</u>	<u>\$ -</u>	<u>\$ 249,724</u>

Statutory Authority

Act 217, PA 1982, authorizes the Library to deposit and invest in:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts or depository receipts of federally insured banks, insured savings and loan associates or credit union administration that are eligible to be the depository of surplus money belonging to the State under section 5 or 6 Act 105, PA 1855, as amended
- (c) commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
- (d) United States Government or Federal Agency obligation repurchase agreements.
- (e) banker's acceptance of United States Banks
- (f) Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan

The Library's cash deposits and investments are in accordance with statutory authority.

**BELLAIRE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 5: CAPITAL ASSETS

The Library's capital assets as of December 31, 2005 are summarized as follows:

	<u>Balance 1/1/2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/05</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital assets being depreciated:				
Building and improvements	140,377	-	-	140,377
Furniture and fixtures	35,677	3,119	-	38,796
Computer equipment	37,085	-	-	37,085
Books	231,269	28,245	14,603	244,911
Subtotal	444,408	31,364	14,603	461,169
Accumulated depreciation:				
Building and improvements	27,354	1,872		29,226
Furniture and fixtures	18,791	2,373		21,164
Computer equipment	32,706	1,593		34,299
Books	164,309	24,217	14,603	173,923
Subtotal	243,160	30,055	14,603	258,612
Net capital assets being depreciated	201,248	1,309	-	202,557
Net capital assets	<u>\$ 226,248</u>	<u>\$ 1,309</u>	<u>\$ -</u>	<u>\$ 227,557</u>

Depreciation expense was charged entirely to the operations function of the Library.

NOTE 6: FUND BALANCE

RESERVED FUND BALANCE

The designated fund balance represents funds that are gifted to the Library and earmarked for a specific purpose (books, equipment, etc) by the donor. The amount of monies reserved for such purposes at December 31, 2005 totaled \$349.

DESIGNATED FUND BALANCE

The Library Board has designated monies to set aside for the purpose of funding major improvements or repairs to the building. The designated fund balance at December 31, 2005 is \$150,950.

**BELLAIRE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 6: FUND BALANCE

RESTRICTED NET ASSETS

Net assets in the government-wide financial statements are categorized as either invested in capital assets, restricted by an outside source, or unrestricted. Board designations are not distinguished on the Statement of Net Assets.

NOTE 7: INSURANCE

The Library is insured for general liability and property loss claims by the State Farm Insurance Company. The following coverage exists:

GENERAL LIABILITY	\$ 1,000,000
BUILDING	428,300
PERSONAL PROPERTY	148,000

NOTE 8: SUBSEQUENT EVENT

In January 2006, the Library's Board of Trustees approved the additional designation of \$50,000 for future building improvements or repairs.

BELLAIRE PUBLIC LIBRARY
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2005

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Property taxes	\$ 96,657	\$ 96,657	\$ 95,791	\$ (866)
Penal fines	12,000	12,000	10,895	(1,105)
Gifts and donations	10,350	12,350	13,430	1,080
State aid	3,000	3,364	3,365	1
Book fines	900	900	1,213	(313)
Interest	4,000	4,000	6,514	2,514
Total revenues	126,907	129,271	131,208	1,937
EXPENDITURES				
Salaries and wages	41,749	41,749	45,102	(3,353)
Payroll taxes	3,435	3,435	3,717	(282)
Supplies and postage	2,600	2,600	2,518	82
Dues and subscriptions	-	-	1,682	(1,682)
Periodicals	2,500	2,500	2,377	123
Capital outlay	27,000	26,500	31,364	(4,864)
Programs	1,000	750	635	115
Automation	5,000	5,000	2,275	2,725
Insurance	3,500	3,500	2,934	566
Utilities	7,000	7,000	5,457	1,543
Building maintenance	7,100	7,500	7,624	(124)
Miscellaneous expense	14,023	15,937	780	15,157
Professional services	10,000	10,000	9,020	980
Donations	2,000	2,800	2,571	229
Total expenditures	126,907	129,271	118,056	11,215
Excess of revenues over expenditures	-	-	13,152	13,152
Fund Balance - January 1	299,271	299,271	299,271	-
Fund Balance - December 31	\$ 299,271	\$ 299,271	\$ 312,423	\$ 13,152



Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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March 30, 2006

Bellaire Public Library
Antrim County

We have audited the financial statements of the Bellaire Public Library for the year ended December 31, 2005, and have issued our report thereon dated March 30, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 4, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Bellaire Public Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Bellaire Public Library are described in the notes to the financial statements.

We noted no transactions entered into by the Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. There were no audit adjustments made.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

The Bellaire Public Library's accounting records were well organized and we are happy to report that there were no difficulties in performing the audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of Bellaire Public Library, we considered the Library's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit procedures, we did not become aware of any matters that represent opportunities for strengthening internal controls. However, we noted the following items that may present opportunities to improve operating efficiency and help organize the Library's finances.

- Currently, the Bellaire Public Library is outsourcing the accounting function to a certified public accountant. As of December 31, 2005, payroll tax items were being accounted for on the modified accrual method of accounting, but other items, particularly accounts payable, were being accounted for on the cash basis of accounting.

Generally accepted accounting principals, as applicable to governmental entities, requires the modified accrual method of accounting. Given the size of the Bellaire Public Library and the consistency at which payments to vendors remain constant for the course of the year, the Library has historically been able to report on the cash basis method of accounting without receiving a qualified opinion in your audit for not following generally accepted accounting principals. However, there may come a point of time in which the differences

Comments and Recommendations (Continued)

between the cash basis and modified accrual basis of accounting become material to your financial statements and your auditor will have to issue you a qualified opinion.

Therefor, we recommend that you communicate to the CPA who is currently performing your accounting function to maintain all general ledger accounts on the modified accrual basis of accounting. The additional time required by Library personal or your CPA to be in compliance with generally accepted accounting principals is minimal, and we have discussed with Linda and Carol the procedures necessary by Library personnel to adjust the accounting method to modified accrual.

- Currently, the Bellaire Public Library has 3 certificates of deposit which include designated funds and unreserved / undesignated funds. For simplicity, we recommend that designated funds be accounted for in 1 or 2 separate certificates of deposit so that the amount designated is readily available at all times.

We hope you find the above comments and recommendations useful. We are available to discuss these items in further detail with you at your convenience.

This information is intended solely for the information of the Bellaire Public Library's Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Keskine, Cook, Miller & Alexander LLP